

Certificate of Officer of J. Aron & Company

I, Curtis Kebler, am a Vice President of J. Aron & Company ("J. Aron"). J. Aron is, among other things, a power marketer that has obtained authority from the Federal Energy Regulatory Commission to enter into wholesale sales of physical power at market-based rates. I am providing this certificate in relation to Section 1206 of the Indenture (the "Indenture") dated as of October 8, 2003 between Power Receivable Finance, LLC as Issuer and Wells Fargo Bank Minnesota, National Association as Trustee, Accounts Agent, Paying Agent and Registrar.

Among my primary responsibilities at J. Aron is to monitor and provide advice with respect to developments in various power markets. A primary market on which I dedicate my time is the power market in the State of California (the "California Power Market"), which is the state in which I reside.

I am familiar with the terms of the Amended and Restated Master Power Purchase and Sale Agreement (the "CDWR Agreement") dated June 10, 2003 between Power Receivable Finance LLC ("PRF") and the Department of Water Resources of the State of California ("CDWR"). I am also familiar with the terms of the Master Power Purchase and Sale Agreement, dated September 15, 2003 and amended and restated as of September 19, 2003, (the "J. Aron Agreement") between PRF and J. Aron, under which PRF procures from J. Aron the power that it is required to deliver to CDWR under the CDWR Agreement.

Both the CDWR Agreement and the J. Aron Agreements specify as the relevant Delivery Point for power to be delivered through the remaining term of the agreements "South of Path 15 ('SP 15'), being the delivery location as defined and described in the California Independent System Operator Tariff Appendix I as SP 15 Southern Zone as of the date of [the CDWR Agreement]". SP 15 is a delivery point that is commonly used for "Firm LD" power sale agreements of the type that encompasses the CDWR Agreement and the J. Aron Agreement. Such power purchase and sale transactions that involve delivery to and receipt of power within the SP15 zone do not cause any congestion charges to be incurred by either the buyer or the seller.

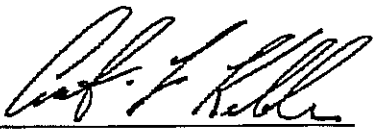
In order to promote greater efficiency in the California Power Market, the California Independent System Operator ("CAISO") has proposed a modification to the California Power Market that would involve implementation of "locational marginal pricing" or "LMP" (such proposed modification, the "CAISO Proposal"). The existing SP15 zone is likely to become obsolete under the CAISO Proposal, such that parties to an existing power purchase and sale agreement would no longer be allowed by the CAISO to schedule the delivery and receipt of power within that zone.

In light of the proposed changes in the California Power Market, and the fact that the CDWR Agreement and J. Aron Agreement do not contain specific provisions that address the implication of such changes in the California Power Market, CDWR, PRF and J. Aron have entered into discussions to amend the CDWR Agreement and the J.

Aron Agreement, respectively, to adequately address the potential effects of the ongoing ability of the parties to those agreements to meet their obligations thereunder. Forms of the amendments to the CDWR Agreement and the J. Aron Agreement are set forth in Exhibit A to this Certificate (such amendments, the "Amendments"). The primary operative change contained in the amendments is to specify an alternative delivery point in the event that the existing SP15 zone is eliminated or becomes obsolete. In such event, the amendments would delete as the applicable delivery point "SP 15" and put in its place either (a) the EZ Gen Hub that is created by CAISO in connection with its implementation of the LMP system in the California Power Market or (b) in the event such a hub is not created by CAISO, an alternative delivery point that the PRF and CDWR agreement (in the case of both the CDWR Agreement and the J. Aron Agreement) allocates any new costs arising from changes in the California Power Market that affect the Delivery Point in a manner that equitably preserves the economic balance between the parties with respect to their obligations under the agreement.

Based on my review of the CAISO Proposal and my knowledge of power markets generally and my observation of the implementation of LMP arrangements, I make the following statements:

1. I believe that if the Amendments are entered into, the terms of the Amendments will address the implementation of the CAISO Proposal in its current form in a manner that would reduce risk to PRF under the CDWR Agreement and J. Aron Agreement relative to what its position would be were the Amendments not entered into.
2. I believe that if the Amendments are entered into and the CAISO Proposal is not adopted in its current form, PRF would not be in a worse position for having entered into the Amendments than it would have been had it not entered into the Amendments.
3. Based on the foregoing, it would not be reasonable to expect that the execution of the Amendments could reasonably be expected to result in a Material Adverse Effect with respect to PRF (as such term is defined in the Indenture).

By: 
Curtis Kebler
Vice President, J. Aron & Company
Date: Dated as of July 29, 2005

Certificate of an Officer
Of Power Receivable Finance, LLC

I, Dan Sparks, am a Vice-President of Power Receivable Finance, LLC (the "Company"). I am providing this Certificate in relation to Section 1106 of the Indenture, dated as of October 8, 2003 (the "Indenture"), between the Company and Wells Fargo Bank, Minnesota, National Association, as Trustee.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Indenture.

Please be advised that, to the best of my knowledge, no Holder or owner of a beneficial interest in a Global Note has made a written request to the Company to be provided with the documents and information required by Section 1106 of the Indenture to be provided by the Company to the Trustee.

Power Receivable Finance, LLC
By: MTGLQ Investors, L.P., its sole member
By: MLQ, L.L.C., its general partner

By: 
Vice-President

Dated: July 29, 2005

July 29, 2005

California Department of Water Resources
1416 Ninth Street
Sacramento, California 95814

Ladies and Gentlemen:

We have acted as special counsel to Power Receivable Finance, LLC ("PRF"), in connection with (i) the Settlement Agreement, dated as of July 29, 2005, between the Department of Water Resources ("CDWR"), an agency of the State of California with respect to the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and PRF ("Seller's Choice Settlement Agreement"), and (ii) the Amendment to the Amended and Restated Master Power Purchase and Sale Agreement, dated as of July 29, 2005, between CDWR and PRF ("Amendment"). Capitalized terms used in this opinion have the respective meanings set forth in the Seller's Choice Settlement Agreement, unless otherwise defined herein.

Specifically, we have acted as special counsel to PRF with respect to the applicability of the Federal Power Act, as amended ("FPA"), the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA"), the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), and the Energy Policy Act of 1992, as amended, such laws hereinafter collectively referred to as the "Federal Energy Regulatory Laws."

As the basis for our opinion, we have relied, without independent investigation, on: (i) the representations contained in the Seller's Choice Settlement Agreement and the Amendment; (ii) the representations contained in the application for authorization to transfer jurisdictional facilities filed with the Federal Energy Regulatory Commission ("FERC") on August 1, 2003 by Allegheny Energy Supply Company, LLC, Allegheny Trading Finance Company, J. Aron & Company, and PRF in Docket No. EC03-118-000 ("Section 203 Application"); (iii) FERC's order granting the Section 203 Application, Allegheny Energy Supply Company, LLC, et al., 104 FERC ¶ 62,149 (2003); (iv) the representations contained in the petition for order accepting market-based rate schedule

for filing and granting waivers and blanket approvals filed with FERC on August 1, 2003 by PRF in Docket No. ER03-1151-000 ("PRF Rate Petition"); (v) FERC's order accepting for filing the PRF Rate Petition, Letter Order dated September 5, 2003 ("PRF Section 205 Order"); and (vi) FERC's order accepting for filing the Amended and Restated Master Power Purchase and Sale Agreement dated June 10, 2003 and approving the related settlement, Public Utilities Commission of the State of California v. Sellers of Long-Term Contracts, et al., 104 FERC ¶ 61,074 (2003). This opinion is also expressly based on and limited to consideration of the Federal Energy Regulatory Laws and regulations, judicial and administrative decisions, interpretations, and other actions construing such Federal Energy Regulatory Laws in effect as of the date of this opinion.

On the basis of the foregoing, we are of the opinion that:

1. PRF is not a "public-utility company", an "electric utility company", or a "holding company" within the meaning of PUHCA, and is not subject to regulation under PUHCA, except pursuant to section 9(a)(2) thereof.
2. PRF has obtained authorization from FERC to sell electric energy and capacity at market-based rates in accordance with the terms of the PRF Section 205 Order.
3. The execution or delivery by PRF of the Seller's Choice Settlement Agreement and the Amendment do not require any approval or authorization under the Federal Energy Regulatory Laws, except as follows: (i) the Seller's Choice Settlement Agreement and/or the motions referred to therein must be filed with FERC in the Seller's Choice Proceeding; and (ii) the Amendment must be filed with FERC under section 205 of the FPA.

This opinion is rendered solely for the benefit of the addressees listed above and may not be relied upon in any manner by any other person or entity or for any other purpose, except that the law firm of Skadden, Arps, Slate, Meagher & Flom LLP may rely on this opinion solely for purposes of rendering its opinion to CDWR of even date herewith.

Van Ness Feldman
A Professional Corporation

By: _____


Margaret A. Moore

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

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July 29, 2005

California Department of Water Resources
1416 Ninth Street
Sacramento, CA 94236-0001

Wells Fargo Bank, N.A.
Wells Fargo Center
Sixth and Marquette Streets
Minneapolis, MN 55479

Re: Power Receivable Finance, LLC

Ladies and Gentlemen:

We have acted as special counsel to Power Receivable Finance, LLC, a limited liability company incorporated under the laws of the State of Delaware (the "Company") in connection with its entering into (i) a settlement agreement, dated as of April 8, 2005 (the "Agreement"), by and between the Department of Water Resources ("CDWR"), an agency of the State of California with respect to the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and the Company, (ii) an amendment dated as of July 29, 2005 (the "Amendment") to the Master Power Purchase and Sale Agreement, between CDWR and the Company, as modified by the amended and restated cover sheet, and the confirmation letters related thereto, dated as of April 20, 2001 and June 10, 2003 (the "CDWR Power Sales Agreement") and (iii) an amendment dated as of July 29, 2005 (the "J. Aron Amendment" and, together with the Amendment, the "Amendments") to the Master Power Purchase and Sale Agreement, dated as of September 15, 2003, as amended and restated as of September 19, 2003, modified by cover sheets and confirmation letters related thereto, each dated as of September 15, 2003, between J.

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Wells Fargo Bank, N.A.
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Aron and Company ("J. Aron") and the Company (the "J. Aron Power Sales Agreement").

In our examination we have assumed the genuineness of all signatures including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of the Company and its officers and other representatives and of public officials, including the facts and conclusions set forth therein.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of (i) the Agreement, (ii) the Amendments, (iii) the Indenture dated as of October 8, 2003 (the "Indenture") between the Company and Wells Fargo Bank, N.A. (successor to Wells Fargo Bank, Minnesota, National Association), as Trustee (the "Trustee"), and the other Material Agreements, a list of which is set forth in Appendix A, (iv) the form of the consent of the Trustee attached as Exhibit A hereto (the "Trustee Consent"), (v) the certificate of an officer of J. Aron and Company attached as Exhibit B hereto (the "Officer's Certificate"), (vi) the Consent and Agreement, dated as of July 29, 2003 between the CDWR and the Trustee (the "CDWR Consent and Agreement"), (vii) the Consent and Agreement, dated as of July 29, 2005 between J. Aron and the Trustee (the "J. Aron Consent and Agreement"), (viii) the certificate of an officer of the Company attached as Exhibit C hereto (the "Company Officer's Certificate"), and (ix) such other documents as we have deemed necessary or appropriate as a basis for the opinion set forth below. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Indenture.

We express no opinion as to the laws of any jurisdiction other than the Applicable Laws of the State of New York and the Delaware Limited Liability Company Act and, subject to the limitation set forth below, the Applicable Laws of the State of California. "Applicable Laws" shall mean those laws, rules and regulations, which are normally applicable to transactions of the type contemplated

by the Agreement and the Amendment, without our having made any special investigation as to the applicability of any specific law, rule or regulation; provided that the term "Applicable Laws" does not include the tax, banking, securities, antifraud or energy laws, rules or regulations of any jurisdiction. "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any court, regulatory body, administrative agency or governmental body pursuant to the Applicable Laws of the State of New York or the State of California, other than any consent, approval, license, authorization, validation, filing, qualification or registration that may have become applicable as a result of the involvement of any party (other than the Company) in the transactions contemplated by the Agreement and the Amendment or because of such parties' legal or regulatory status or because of any other facts specifically pertaining to such parties.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that:

1. The Company has the limited liability company power and authority to execute, deliver and perform its obligations under the Agreement and the Amendment under the Delaware Limited Liability Company Act.
2. Each Governmental Approval and each consent under the Material Agreements required to authorize, or required in connection with, the execution or delivery of the Agreement or the Amendments by the Company or the consummation by the Company of the transactions contemplated thereby has been obtained.
3. No notice of the Amendments is required to be delivered to any Holder or any owner of a beneficial interest in a Global Note.

With respect to our opinion in paragraph 2, we express no opinion with respect to whether any Governmental Approval is required to be received by the Company in connection with the execution or delivery of the Agreement or the Amendment, as a result of its status as (i) a public utility company subject to

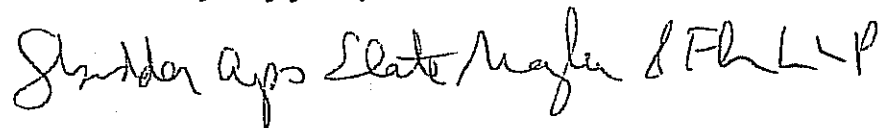
California Department of Water Resources
Wells Fargo Bank, N.A.
July 29, 2005
Page 4

regulation by the Federal Energy Regulatory Commission under the Federal Power Act, (ii) a "holding company" or a "subsidiary company" of a "holding company" or as an "affiliate" of a "holding company" or a "subsidiary company" or as a "public utility company" as defined in Section 2 of the Public Utility Act of 1935, as amended or (iii) a public utility company subject to rate, financial or organizational regulation by the California Utilities Commission and, in this regard, we note that you are receiving from Van Ness Feldman, P.C. an opinion with respect to certain of these matters. In addition, with respect to Section 1206(a) of the Indenture which permits amendments of Material Agreements so long as the amendment could not "reasonably be expected to result in a Material Adverse Effect", we have relied solely on the Officer's Certificate without any independent investigation of the certifications therein as to the Amendment being not reasonably likely to result in a Material Adverse Effect.

With respect to our opinion in paragraph 3, we have relied on the Company Officer's Certificate to the effect that no Holder or owner of a beneficial interest in a Global Note has requested of the Company, pursuant to Section 1106 of the Indenture, that such Holder or beneficial owner be provided with the information or documents required by Section 1106 of the Indenture to be provided by the Company to the Trustee.

This opinion is being furnished only to you in connection with the Agreement and the Amendment and is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other person or entity for any purpose without our prior written consent.

Very truly yours,



CONSENT TO AMENDMENTS

WHEREAS, Power Receivable Finance, LLC (the "Issuer") and Wells Fargo Bank, National Association (the "Trustee") are parties to an Indenture, dated as of October 8, 2003 (the "Indenture"), pursuant to which Issuer's Notes were issued. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture;

WHEREAS, pursuant to the Indenture, the Issuer assigned to the Trustee, to secure the repayment of the Notes, all of the Issuer's right, title and interest in, to, and under (i) the Master Power Purchase and Sale Agreement, between the State of California Department of Water Resources and the Issuer, as modified by the amended and restated cover sheet, and the confirmation letters related thereto, dated as of April 20, 2001 and June 10, 2003 ("CDWR Power Sales Agreement"), and (ii) the Master Power Purchase and Sale Agreement, dated as of September 15, 2003, as amended and restated as of September 19, 2003, modified by cover sheets and the confirmation letters related thereto, each dated as of September 15, 2003, between J. Aron and the Issuer ("J. Aron Power Sales Agreement");

WHEREAS, pursuant to the Consent and Agreement, dated as of September 23, 2003 (the "CDWR Consent and Agreement"), between the CDWR and the Trustee, the CDWR agreed it would not amend the CDWR Power Sales Agreement without the consent of the Trustee, which cannot be unreasonably withheld;

WHEREAS, pursuant to the Consent and Agreement, dated as of October 8, 2003 (the "J. Aron Consent and Agreement"), between J. Aron and the Trustee, J. Aron agreed it would not amend the J. Aron Power Sales Agreement without the consent of the Trustee, which cannot be unreasonably withheld;

WHEREAS, the Issuer has advised the Trustee that it intends to amend the CDWR Power Sale Agreement and the J. Aron Power Sale Agreement (together, the "Sale Agreements") to take into account certain changes in the California power markets. To that end, Curtis Kebler, a Vice President of J. Aron, has delivered to the Trustee his Certificate dated as of July 29, 2005 (the "Certificate"), regarding the California power markets and including executed copies of the Amendments to the referenced Sale Agreements;

WHEREAS, the Trustee has received the opinion of Skadden Arps Slate Meager & Flom, counsel to the Issuer, dated as of July 29, 2005 (the "Opinion"), regarding the Amendments to the referenced Sale Agreements.

NOW, THEREFORE, based upon the Certificate and the Opinion, the Trustee hereby consents as of July 29, 2005, for purposes of the CDWR Consent and Agreement and the J. Aron Consent and Agreement, to the Amendments to the J. Aron Power Sales Agreement and the CDWR Power Sales Agreement and attached hereto as Exhibits A and B.

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

By: 
Name Sue Digman
Title Assistant Vice President

Exhibit A

[Amendment to the Master Power Purchase and Sale Agreement between
J. Aron and Company and Power Receivable Finance LLC]

Exhibit B

[Amendment to the Master Power Purchase and Sale Agreement between the
California Department of Water Resources and Power Receivable Finance LLC]

**AMENDMENT TO AMENDED AND RESTATED
MASTER POWER PURCHASE AND SALE AGREEMENT**

This AMENDMENT TO THE AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT dated as of July 29, 2005 between J.Aron and Company ("Party A") and Power Receivable Finance LLC as successor-in-interest to Allegheny Trading Finance Co. ("Party B") (the "Agreement") is made and entered into on the 29th day of July, 2005, by and between the Party And Party B (the "Amendment").

RECITALS

WHEREAS, Party A and Party B are parties to the Agreement; and

WHEREAS, Party B and the California Department of Water Resources ("CDWR") are parties to the Amended and Restated Master Power Purchase and Sale Agreement, dated June 10, 2003 (the "Amended CDWR Agreement"); and

WHEREAS, the Amended CDWR Agreement is the subject of the FERC proceeding in *Public Utilities Providing Service in California under Sellers' Choice Contracts*, Docket No. EL04-108-000 *et al.* (the "Seller's Choice Proceeding"); and

WHEREAS, CDWR and Party B have entered into a settlement agreement, of near or even date herewith (the "Seller's Choice Settlement Agreement"), pursuant to which they have agreed to settle the delivery point issues identified in the Seller's Choice Proceeding as it relates to the Amended CDWR Agreement by entering into the Second Amended and Restated Master Power Purchase and Sale Agreement between Party B and CDWR, dated July 29, 2005 ("Second Amended CDWR Agreement"), pursuant to the Amended CDWR Agreement and subject to the terms and conditions of the Seller's Choice Settlement Agreement; and

WHEREAS, Party A and Party B wish to amend the Agreement to be consistent with the Second Amended CDWR Agreement;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Party A and Party B hereby agree as follows:

AGREEMENT

1. Definitions. Capitalized terms, when used in this Amendment shall have the meanings specified in this Amendment. All capitalized terms used, but not otherwise defined herein, shall have the meaning given to them in the Agreement.
2. Amendment to Agreement. Exhibit A (the Amended and Restated Master Power Purchase and Sale Agreement Confirmation Letter) to the Agreement is deleted and replaced with Exhibit A attached hereto.
3. Entire Agreement. The Agreement, as amended hereby, contains the entire agreement of Party A and Party B with respect to the matters discussed herein and the Agreement. This Amendment may not be modified except in writing signed by Party A and

Party B.

4. Effective Date. This Amendment shall automatically become effective upon the date of written notice from Party B to Party A ("Effective Date") of the effectiveness of the Second Amended CDWR Agreement. Party B acknowledges and agrees that it shall provide such notice to Party A immediately upon the effectiveness of the Second Amended CDWR Agreement. Party A and Party B acknowledge and agree that until the Effective Date, this Amendment shall be of no force or effect, including without limitation with respect to the interpretation of the Agreement for any purpose whatsoever by Party A, Party B or any other person.

5. Affect on Agreement. As of the Effective Date of this Amendment, except as necessary to implement the foregoing amendments, all provisions in the Agreement shall otherwise remain unchanged and Party A and Party B reserve all rights, arguments and positions concerning the correct interpretation of those provisions.

6. Counterparts. This Amendment may be executed in one or more counterparts, all of which will be considered one and the same agreement and shall become effective when one or more counterparts have been signed by Party A and Party B and delivered, including by facsimile, to each other.

IN WITNESS WHEREOF, Party A and Party B have caused this Amendment to be executed by their duly authorized representatives as of the 29th day of July 2005.

J. Aron & Company

By: 

Name: Peter O'Hagan
Title: Managing Director



Power Receivable Finance, LLC

By: MTGLQ Investors, L.P., its sole member

By: MLQ, L.L.C., its general partner

By: 

Name: Dan Sparks
Title: Managing Director

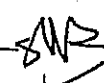


EXHIBIT A

SECOND AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER

This confirmation letter shall confirm the June 10, 2003 Transaction between Power Receivable Finance LLC as successor-in-interest to Allegheny Trading Finance Co. ("Party A") and California Department of Water Resources acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party B

Buyer: Party A

Product:

☐ Into _____, Seller's Daily Choice

☒ Firm (LD)

☐ Firm (No Force Majeure)

☐ System Firm

(Specify System: _____)

☐ Unit Firm

(Specify Unit(s):

☐ Other _____

☐ Transmission Contingency (If not marked, no transmission contingency)

☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer

☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer

☐ Transmission Contingent ☐ Seller ☐ Buyer

☐ Other transmission contingency

(Specify: _____)

Contract Quantity:

<u>Delivery Period</u>	<u>Quantity</u>	<u>Price: Peak/Off-peak*</u>
June 10, 2003 through December 31, 2003	250 MW per hour	\$61/\$61
January 1, 2004 through December 31, 2004	500 MW per hour	\$61/\$60
January 1, 2005 through December 31, 2005	750 MW per hour	\$61/\$59
January 1, 2006 through December 31, 2011	800 MW per hour	\$61/\$58

*"Peak Energy" means energy to be delivered for the consecutive 16 hour periods beginning at 6:00 a.m. and ending at 10:00 p.m. Pacific Prevailing Time, excluding Sundays and NERC holidays.

Delivery Point: SP-15 Zone; provided, however, if the Cal ISO implements trading hubs as part of an LMP based market redesign during the Delivery Period, the Delivery Point shall be the Existing Zone Generation SP-15 Trading Hub ("SP-15 EZ Gen Hub"), as such trading hub is contemplated by the Cal ISO in its filing made to the FERC dated March 15, 2005 ("Comprehensive Design Proposal for Inter-Scheduling Coordinator Trades Under the California Independent System Operator Corporation's Market Redesign and Technology Upgrade, Docket No. ER02-1656-025") and approved in principle by FERC pursuant to an Order issued June 10, 2005; provided further, if the definition of SP-15 Zone in the Cal ISO tariff in effect on July 29, 2005 is materially changed during the Delivery Period, but not as part of an LMP based market redesign, or if the SP-15 EZ Gen Hub (under any name) is not established as part of a market redesign that is implemented during the Delivery Period, the Parties agree to promptly work together in good faith to designate an alternative Delivery Point to reasonably approximate the characteristics of the SP-15 Zone. If the Parties cannot agree on such alternative Delivery Point (an "Alternative Delivery Point Dispute"), the Parties shall submit the Alternative Delivery Point Dispute to binding arbitration pursuant to AAA rules for commercial arbitration by three neutral arbitrators chosen pursuant to AAA rules for commercial arbitration, and such arbitration shall be held in either San Francisco or Sacramento, California. Such arbitration shall determine the appropriate alternative Delivery Point that allocates any new costs arising from the change in Delivery Point in a manner that equitably preserves the economic balance between the Parties with respect to each Party's obligations under the Transaction as of the date it was executed.

For purposes of this Delivery Point provision and the Scheduling provision below, as applicable:

"SP-15 Zone" means the south of path 15 ("SP-15") zone of the Cal ISO control area as defined in the Cal ISO tariff in effect on July 29, 2005.

"LMP" means a transmission congestion management system that uses security-constrained unit commitment and dispatch to assign prices to energy at nodes on the transmission grid controlled by the Cal ISO based upon balanced resources and loads.

Contract Price: N.A.

Energy Price: See above.

Other Charges: N.A.

Delivery Period: Delivery period shall commence on the Effective Date as defined in the Amended and Restated Master Power Purchase Agreement, and shall terminate on December 31, 2011 unless sooner terminated as provided in Section 10.1 of the Amended and Restated Power Purchase Agreement.

Special Conditions: N.A.

Scheduling: All deliveries shall be scheduled as a schedule coordinator-to-schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the Cal ISO. In the event LMP is implemented, all deliveries shall also be scheduled for settlement and settled at the SP-15 EZ Gen Hub pursuant to the applicable tariff and protocol provisions of the Cal ISO.

Option Buyer: N.A.

Option Seller: N.A.

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This amended confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated June 10, 2003 (the "Amended and Restated Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such

Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

Power Receivable Finance, LLC

By: MTGLQ Investors, L.P., its sole member

By: MLQ, L.L.C., its general partner

By: 

Title: Vice President *SM*

Phone No: 212-902-2714

Fax: 212-412-9818

[Party B]

J. Aron & Company

By: 

Title: Managing Director *SM*

Phone No: 212-902-0249

Fax: _____

**AMENDMENT TO AMENDED AND RESTATED
MASTER POWER PURCHASE AND SALE AGREEMENT**

This AMENDMENT TO AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT (this "Amendment") is made and entered into on the 29th day of July 2005, by and between the Department of Water Resources, an agency of the State of California, with respect to the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("CDWR"), and Power Receivable Finance LLC ("PRF").

RECITALS

WHEREAS, CDWR and PRF are parties to the Amended and Restated Master Power Purchase and Sale Agreement dated June 10, 2003; and

WHEREAS, the Agreement is the subject of the FERC proceeding in *Public Utilities Providing Service in California under Sellers' Choice Contracts*; Docket No. EL04-108-000 *et al.* (the "Seller's Choice Proceeding"); and

WHEREAS, CDWR and PRF have entered into a Settlement Agreement, dated April 8, 2005 (the "Seller's Choice Settlement Agreement"), pursuant to which they have agreed to settle the delivery point issues identified in the Seller's Choice Proceeding as it relates to the Agreement by amending the Agreement, subject to the terms and conditions of the Seller's Choice Settlement Agreement and this Amendment;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CDWR and PRF hereby agree as follows:

AGREEMENT

1. Definitions. Capitalized terms, when used in this Amendment shall have the meanings specified in this Amendment. All capitalized terms used, but not otherwise defined herein, shall have the meaning given to them in the Agreement.
2. Amendment to Agreement. Exhibit A (the Amended and Restated Master Power Purchase and Sale Agreement Confirmation Letter) to the Agreement is deleted and replaced with Exhibit A attached hereto.
3. Entire Agreement. The Agreement, as amended hereby, contains the entire agreement of CDWR and PRF with respect to the matters discussed herein and the Agreement. This Amendment may not be modified except in writing signed by CDWR and PRF.
4. Effective Date. This Amendment shall be effective when signed by CDWR and PRF. CDWR and PRF acknowledge and agree that until they have signed this Amendment, this Amendment shall be of no force or effect, including without limitation with respect to the interpretation of the Agreement for any purpose whatsoever by PRF, CDWR or any other person.

5. Affect on Agreement. After the effective date of the Amendment, except as necessary to implement the foregoing amendments, all provisions in the Agreement shall otherwise remain unchanged and CDWR and PRF reserve all rights, arguments and positions concerning the correct interpretation of those provisions.

6. Counterparts. This Amendment may be executed in one or more counterparts, all of which will be considered one and the same agreement and shall become effective when one or more counterparts have been signed by CDWR and PRF and delivered, including by facsimile, to each other.

IN WITNESS WHEREOF, CDWR and PRF have caused this Amendment to be executed by their duly authorized representatives as of the 29th day of July 2005.

DEPARTMENT OF WATER RESOURCES with respect
to the Department of Water Resources Electric Power
Fund separate and apart from its powers and
responsibilities with respect to the State Water Resources
Development System

By: 

Name: Peter S. Garris

Title: Deputy Director

MTGLQ INVESTORS, L.P., as managing member
By: MLQ, L.L.C., its general partner

By: 

Name: Dan Sparks

Title: Vice President

5. Affect on Agreement. After the effective date of the Amendment, except as necessary to implement the foregoing amendments, all provisions in the Agreement shall otherwise remain unchanged and CDWR and PRF reserve all rights, arguments and positions concerning the correct interpretation of those provisions.

6. Counterparts. This Amendment may be executed in one or more counterparts, all of which will be considered one and the same agreement and shall become effective when one or more counterparts have been signed by CDWR and PRF and delivered, including by facsimile, to each other.

IN WITNESS WHEREOF, CDWR and PRF have caused this Amendment to be executed by their duly authorized representatives as of the 29th day of July 2005.

DEPARTMENT OF WATER RESOURCES with respect
to the Department of Water Resources Electric Power
Fund separate and apart from its powers and
responsibilities with respect to the State Water Resources
Development System

By: _____
Name:
Title:

MTGLQ INVESTORS, L.P., as managing member
By: MLQ, L.L.C., its general partner

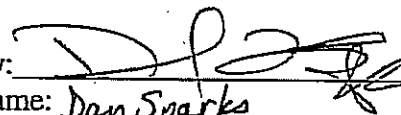
By:  _____
Name: *Dan Sparks*
Title: *Vice President*

EXHIBIT A

SECOND AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER

This confirmation letter shall confirm the June 10, 2003 Transaction between Power Receivable Finance LLC as successor-in-interest to Allegheny Trading Finance Co. ("Party A") and California Department of Water Resources acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product:

☐ Into _____, Seller's Daily Choice

☒ Firm (LD)

☐ Firm (No Force Majeure)

☐ System Firm

(Specify System: _____)

☐ Unit Firm

(Specify Unit(s):

☐ Other _____

☐ Transmission Contingency (If not marked, no transmission contingency)

☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer

☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer

☐ Transmission Contingent ☐ Seller ☐ Buyer

☐ Other transmission contingency

(Specify: _____)

Contract Quantity:

<u>Delivery Period</u>	<u>Quantity</u>	<u>Price: Peak/Off-peak*</u>
June 10, 2003 through December 31, 2003	250 MW per hour	\$61/\$61
January 1, 2004 through December 31, 2004	500 MW per hour	\$61/\$60
January 1, 2005 through December 31, 2005	750 MW per hour	\$61/\$59
January 1, 2006 through December 31, 2011	800 MW per hour	\$61/\$58

*"Peak Energy" means energy to be delivered for the consecutive 16 hour periods beginning at 6:00 a.m. and ending at 10:00 p.m. Pacific Prevailing Time, excluding Sundays and NERC holidays.

Delivery Point: SP-15 Zone; provided, however, if the Cal ISO implements trading hubs as part of an LMP based market redesign during the Delivery Period, the Delivery Point shall be the Existing Zone Generation SP-15 Trading Hub ("SP-15 EZ Gen Hub"), as such trading hub is contemplated by the Cal ISO in its filing made to the FERC dated March 15, 2005 ("Comprehensive Design Proposal for Inter-Scheduling Coordinator Trades Under the California Independent System Operator Corporation's Market Redesign and Technology Upgrade, Docket No. ER02-1656-025") and approved in principle by FERC pursuant to an Order issued June 10, 2005; provided further, if the definition of SP-15 Zone in the Cal ISO tariff in effect on July 29, 2005 is materially changed during the Delivery Period, but not as part of an LMP based market redesign, or if the SP-15 EZ Gen Hub (under any name) is not established as part of a market redesign that is implemented during the Delivery Period, the Parties agree to promptly work together in good faith to designate an alternative Delivery Point to reasonably approximate the characteristics of the SP-15 Zone. If the Parties cannot agree on such alternative Delivery Point (an "Alternative Delivery Point Dispute"), the Parties shall submit the Alternative Delivery Point Dispute to binding arbitration pursuant to AAA rules for commercial arbitration by three neutral arbitrators chosen pursuant to AAA rules for commercial arbitration, and such arbitration shall be held in either San Francisco or Sacramento, California. Such arbitration shall determine the appropriate alternative Delivery Point that allocates any new costs arising from the change in Delivery Point in a manner that equitably preserves the economic balance between the Parties with respect to each Party's obligations under the Transaction as of the date it was executed.

For purposes of this Delivery Point provision and the Scheduling provision below, as applicable:

"SP-15 Zone" means the south of path 15 ("SP-15") zone of the Cal ISO control area as defined in the Cal ISO tariff in effect on July 29, 2005.

"LMP" means a transmission congestion management system that uses security-constrained unit commitment and dispatch to assign prices to energy at nodes on the transmission grid controlled by the Cal ISO based upon balanced resources and loads.

Contract Price: N.A.

Energy Price: See above.

Other Charges: N.A.

Delivery Period: Delivery period shall commence on the Effective Date as defined in the Amended and Restated Master Power Purchase Agreement, and shall terminate on December 31, 2011 unless sooner terminated as provided in Section 10.1 of the Amended and Restated Power Purchase Agreement.

Special Conditions: N.A.

Scheduling: All deliveries shall be scheduled as a schedule coordinator-to-schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the Cal ISO. In the event LMP is implemented, all deliveries shall also be scheduled for settlement and settled at the SP-15 EZ Gen Hub pursuant to the applicable tariff and protocol provisions of the Cal ISO.

Option Buyer: N.A.

Option Seller: N.A.

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This amended confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated June 10, 2003 (the "Amended and Restated Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such

Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

Power Receivable Finance, LLC

By: MTGLQ Investors, L.P., its sole member

By: MLQ, L.L.C., its general partner

By: 

Title: Vice-President

Phone No: 212-902-2914

Fax: 212-412-9818

[Party B]

California Department of Water Resources, acting

solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System

By: 

Title: Deputy Director

Phone No: 914) 574-2733

Fax: 914) 574-2512

Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

Power Receivable Finance, LLC

By: MTGLQ Investors, L.P., its sole member

By: MLQ, L.L.C., its general partner

By:  JMB

Title: Vice-President

Phone No: 212-902-2914

Fax: 212-412-9818

[Party B]

California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System

By: _____

Title: _____

Phone No: _____

Fax: _____